

**NOTICE TO SHAREHOLDERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010  
(Unaudited and Expressed in US Dollars)**

**OPEL INTERNATIONAL INC.**

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Opel International Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been disclosed in the December 31, 2008 audited consolidated financial statements. Only changes in accounting principles have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited consolidated financial statements, management is satisfied that these unaudited consolidated financial statements have been fairly presented.

Auditors' involvement

The auditors of Opel International Inc. have not performed a review of the unaudited consolidated financial statements for the three and six months ended June 30, 2010 and June 30, 2009.

**OPEL INTERNATIONAL INC.****CONSOLIDATED BALANCE SHEETS**  
**(Unaudited and Expressed in US Dollars)**

|                                                    | June 30,<br>2010     | December 31,<br>2009 |
|----------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                      |                      |                      |
| Current                                            |                      |                      |
| Cash and cash equivalents                          | \$ 1,660,911         | \$ 5,027,892         |
| Short-term investments (Note 3)                    | 1,112,055            | 1,971,422            |
| Accounts receivables                               | 213,063              | 332,985              |
| Prepaid expenses and other current assets          | 498,194              | 793,842              |
| Inventory (Note 4)                                 | 7,408,802            | 7,462,464            |
| Loan receivable (Note 18)                          | 435,093              | -                    |
| Marketable securities (Note 5)                     | 403                  | 403                  |
|                                                    | <b>11,328,521</b>    | <b>15,589,008</b>    |
| Property and equipment                             | 1,999,026            | 1,693,842            |
| Patents and licenses                               | 202,290              | 225,475              |
|                                                    | <b>\$ 13,529,837</b> | <b>\$ 17,508,325</b> |
| <b>Liabilities</b>                                 |                      |                      |
| Current                                            |                      |                      |
| Accounts payable and accrued liabilities           | \$ 1,524,367         | \$ 1,856,026         |
| Deferred energy credit (Note 6)                    | 667,281              | 684,921              |
| Asset retirement obligation (Note 7)               | 134,354              | 130,979              |
|                                                    | <b>2,326,002</b>     | <b>2,671,926</b>     |
| <b>Shareholders' Equity</b>                        |                      |                      |
| Share capital (Note 8(b))                          | 30,019,790           | 29,939,171           |
| Special voting share (Note 9)                      | 100                  | 100                  |
| Special warrants and shares to be issued (Note 10) | 568,242              | 648,861              |
| Warrants (Note 11)                                 | 3,660,585            | 6,842,556            |
| Contributed surplus (Note 12)                      | 8,124,187            | 4,727,888            |
| Accumulated other comprehensive loss               | (2,805,994)          | (2,896,268)          |
| Deficit                                            | (28,359,988)         | (24,425,909)         |
| Non controlling interest                           | (3,087)              | -                    |
|                                                    | <b>11,203,835</b>    | <b>14,836,399</b>    |
|                                                    | <b>\$ 13,529,837</b> | <b>\$ 17,508,325</b> |

On behalf of the Board of Directors

"SIGNED"

\_\_\_\_\_  
Director

# OPEL INTERNATIONAL INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (Unaudited and Expressed in US Dollars)

|                                              | Three Months Ended<br>June 30, |              | Six Months Ended<br>June 30, |                 |
|----------------------------------------------|--------------------------------|--------------|------------------------------|-----------------|
|                                              | 2010                           | 2009         | 2010                         | 2009            |
| Revenue                                      | \$ 447,432                     | \$ 134,921   | \$ 792,750                   | \$ 390,658      |
| Costs and expenses                           |                                |              |                              |                 |
| Cost of goods sold,                          | 72,536                         | 291,563      | 131,095                      | 349,606         |
| General and administration (Note 12)         | 1,429,136                      | 1,278,058    | 2,956,473                    | 2,919,572       |
| Research and development                     | 759,242                        | 1,244,154    | 1,459,869                    | 2,112,028       |
| Interest expense                             | -                              | 298          | -                            | 688             |
| Foreign currency translation loss            | 100,514                        | (64,880)     | 163,606                      | (29,069)        |
| Investment income, including interest        | (6,131)                        | (62,531)     | (21,699)                     | (106,685)       |
| Loss on divestiture of ASM (Note 18)         | 40,572                         | -            | 40,572                       | -               |
|                                              | 2,395,869                      | 2,686,662    | 4,729,916                    | 5,246,140       |
| Net loss                                     | (1,948,437)                    | (2,551,741)  | (3,937,166)                  | (4,855,482)     |
| Net loss:                                    |                                |              |                              |                 |
| Attributable to non-controlling interest     | (1,232)                        | -            | (3,087)                      | (2,311)         |
| Attributable to equity shareholders          | (1,947,205)                    | (2,551,741)  | (3,934,079)                  | (4,853,171)     |
| Net loss                                     | (1,948,437)                    | (2,551,741)  | (3,937,166)                  | (4,855,482)     |
| Deficit, beginning of period                 | (26,412,783)                   | (16,892,342) | (24,425,909)                 | (14,590,912)    |
| Net loss attributable to equity shareholders | (1,947,205)                    | (2,551,741)  | (3,934,079)                  | (4,853,171)     |
| Deficit, end of period                       | (28,359,988)                   | (19,444,083) | \$ (28,359,988)              | \$ (19,444,083) |
| Basic and diluted loss per share (Note 13)   | \$ (0.03)                      | \$ (0.05)    | \$ (0.07)                    | \$ (0.09)       |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Expressed in US Dollars)

|                                                        | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|--------------------------------------------------------|--------------------------------|----------------|------------------------------|----------------|
|                                                        | 2010                           | 2009           | 2010                         | 2009           |
| Net loss                                               | \$ (1,948,437)                 | \$ (2,551,741) | \$ (3,937,166)               | \$ (4,855,482) |
| Other comprehensive income (loss), net of income taxes |                                |                |                              |                |
| Cumulative translation adjustment                      | 13,133                         | 159,120        | 90,274                       | 211,474        |
| Comprehensive loss                                     | \$ (1,935,304)                 | \$ (2,392,621) | \$ (3,846,892)               | \$ (4,644,008) |
| Comprehensive loss                                     |                                |                |                              |                |
| Attributable to non-controlling interest               | (1,232)                        | -              | \$ (3,087)                   | \$ (2,311)     |
| Attributable to equity shareholders                    | (1,934,072)                    | (2,392,621)    | (3,843,805)                  | (4,641,697)    |
|                                                        | (1,935,304)                    | (2,392,621)    | \$ (3,846,892)               | \$ (4,644,008) |

**OPEL INTERNATIONAL INC.**

**CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS**  
**(Expressed in US Dollars)**

|                                      | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|--------------------------------------|--------------------------|------------------------------|
| Opening balance                      | <b>\$(2,896,268)</b>     | <b>\$(3,335,140)</b>         |
| Cumulative translation adjustment    | <b>90,274</b>            | <b>438,872</b>               |
| Other comprehensive income (loss)    | <b>90,274</b>            | <b>438,872</b>               |
| Accumulated other comprehensive loss | <b>\$(2,805,994)</b>     | <b>\$(2,896,268)</b>         |

# OPEL INTERNATIONAL INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited and Expressed in US Dollars)

|                                                     | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|-----------------------------------------------------|--------------------------------|----------------|------------------------------|----------------|
|                                                     | 2010                           | 2009           | 2010                         | 2009           |
| CASH (USED IN) PROVIDED BY                          |                                |                |                              |                |
| OPERATING ACTIVITIES                                |                                |                |                              |                |
| Net loss                                            | \$ (1,948,437)                 | \$ (2,551,741) | \$ (3,937,166)               | \$ (4,855,482) |
| Adjustment for:                                     |                                |                |                              |                |
| Amortization of property and equipment              | 62,108                         | 50,671         | 100,570                      | 90,491         |
| Amortization of patents and licenses                | 8,128                          | 8,288          | 16,254                       | 16,512         |
| Accretion of asset retirement obligation            | 1,622                          | 1,180          | 3,375                        | 1,180          |
| Loss on divestiture of ASM                          | 40,572                         | -              | 40,572                       | -              |
| Stock option compensation (Note 12)                 | 95,328                         | 103,700        | 214,328                      | 247,691        |
|                                                     | (1,740,679)                    | (2,387,902)    | (3,562,067)                  | (4,499,608)    |
| Net change in non-cash working capital:             |                                |                |                              |                |
| Accounts receivable                                 | (39,541)                       | (130,356)      | 113,005                      | 136,308        |
| Prepaid expenses and other current assets           | 410,582                        | 51,995         | 222,350                      | (97,006)       |
| Inventory                                           | 70,387                         | (493,874)      | 53,662                       | (1,273,506)    |
| Deferred energy credit                              | -                              | 204,684        | -                            | 467,943        |
| Accounts payable and accrued liabilities            | (195,919)                      | (880,647)      | (292,016)                    | (816,545)      |
|                                                     | (1,495,170)                    | (3,636,100)    | (3,465,066)                  | (6,082,414)    |
| INVESTING ACTIVITIES                                |                                |                |                              |                |
| Purchase of property and equipment                  | (421,279)                      | (1,540)        | (423,394)                    | (106,295)      |
| Purchase of patents and licenses                    | 6,931                          | (750)          | 6,931                        | (750)          |
| Short-term investments                              | 329,001                        | (3,475,678)    | 859,367                      | (3,641,253)    |
| Loan receivable                                     | (435,093)                      | -              | (435,093)                    | -              |
|                                                     | (520,440)                      | (3,477,968)    | 7,811                        | (3,748,298)    |
| FINANCING ACTIVITIES                                |                                |                |                              |                |
| Issue of common shares for cash, net of issue costs | -                              | 200,400        | -                            | 200,400        |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH             |                                |                |                              |                |
|                                                     | 13,133                         | 159,120        | 90,274                       | 211,474        |
| NET CHANGE IN CASH AND CASH EQUIVALENTS             | (2,002,477)                    | (6,754,548)    | (3,366,981)                  | (9,418,838)    |
| CASH AND CASH EQUIVALENTS, beginning of period      | 3,663,388                      | 11,780,685     | 5,027,892                    | 14,444,975     |
| CASH AND CASH EQUIVALENTS , end of period           | \$ 1,660,911                   | \$ 5,026,137   | \$ 1,660,911                 | \$ 5,026,137   |

**OPEL INTERNATIONAL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010  
(Unaudited)**

---

**1. DESCRIPTION OF BUSINESS**

Opel International Inc. is incorporated in the Province of Ontario. Opel International Inc. and its subsidiary, Opel Inc. (collectively, the "Company") principally develop and market concentrating solar panels and solar tracking systems for commercial applications. Additionally, the Company continues to develop a gallium arsenide microchip and the process to produce it. The Company's research and development ("R&D") efforts relate to the commercialization of CPV solar panels, solar trackers; and optical laser and infrared detection using planar "opto" electronic technology ("POET"). The Company also provides services under "fixed price" and "cost plus" R&D contracts exclusively with the Department of Defense of the United States of America. Such services are provided to the U.S. Department of Defense through Opel Defense Integrated Systems Inc. ("ODIS"), a subsidiary of Opel Inc.

Additionally, the Company formed OPL Solar Europe, SPRL ("OSE"), a Belgian company, to construct solar grid fields for sale to independent third parties in various parts of Europe, the Mediterranean and Northern Africa.

The Company has working capital of \$9,804,154 as of June 30, 2010 compared to \$13,732,982 as of December 31, 2009. The Company is in a position to cover its liabilities as they come due. However, the Company has had a history of losses and should such losses continue the Company will need to seek debt or equity financing to fund its operations. Although the Company has been successful in obtaining such financings in the past, there is no assurance that it will be able to do so in the future.

**2. ACCOUNTING POLICIES**

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

Operating results for the six month period ended June 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010. The consolidated balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2009. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2009.

**Future Accounting Pronouncements**

**(a) Business combinations**

In January 2009, the CICA approved Handbook Section 1582, "Business Combinations" replacing existing Section 1581 by the same name. It establishes standards for the accounting for a business combination. It provides the Canadian generally accepted accounting principles equivalent to International Financial Reporting Standards IFRS 3 Business Combinations (January 2008). The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The CICA recommends that entities planning business combinations in the fiscal year beginning on or after January 1, 2010 adopt these new standards early to avoid restatement on transition to IFRS in 2011. Early adoption of the new standard is permitted.

**OPEL INTERNATIONAL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010  
(Unaudited)**

**2. ACCOUNTING POLICIES (Continued)**

(b) Consolidated financial statements

In January 2009, the CICA approved Handbook Section 1601, "Consolidated Financial Statements" and Handbook Section 1602, "Non-controlling Interests" replacing existing Section 1600, "Consolidated Financial Statements". This Section establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The CICA recommends that entities planning business combinations in the fiscal year beginning on or after January 1, 2010 adopt these new standards early to avoid restatement on transition to IFRS in 2011. Early adoption of the new standard is permitted.

(c) Non-controlling interests

In January 2009, the CICA approved Handbook Section 1602, "Non-controlling Interests". It establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards IAS 27 Consolidated and Separate Financial Statements (January 2008). The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The CICA recommends that entities planning business combinations in the fiscal year beginning on or after January 1, 2010 adopt these new standards early to avoid restatement on transition to IFRS in 2011. Early adoption of the new standard is permitted.

**3. SHORT-TERM INVESTMENTS**

The following table presents a breakdown of the Company's short-term investments, all of which are classified as held-for-trading:

|                                                                   | <b>2010</b>         | <b>2009</b>  |
|-------------------------------------------------------------------|---------------------|--------------|
| European bank guarantee                                           | \$ -                | \$ 510,828   |
| Corporate bonds (Coupon rate - 0.67%)                             | -                   | 98,946       |
| Canadian government bonds (Coupon rate - 3.375%)                  | <b>256,780</b>      | 256,410      |
| US certificate of deposit (Coupon rates between 0.875% and 1.25%) | <b>855,275</b>      | 1,105,238    |
| Balance                                                           | <b>\$ 1,112,055</b> | \$ 1,971,422 |

**4. INVENTORIES**

|                 | <b>2010</b>         | <b>2009</b>  |
|-----------------|---------------------|--------------|
| Raw materials   | \$ <b>4,553,296</b> | \$ 4,644,513 |
| Work in process | <b>557,922</b>      | 585,489      |
| Finished goods  | <b>2,297,584</b>    | 2,232,462    |
| Balance         | <b>\$ 7,408,802</b> | \$ 7,462,464 |

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

**5. MARKETABLE SECURITIES**

|                           | Shares | 2010   | 2009   |
|---------------------------|--------|--------|--------|
| Tribute Minerals Inc.     | 4,476  | \$ 85  | \$ 85  |
| Yangarra Resources Inc.   | 3,578  | 208    | 208    |
| Titanium Corporation Inc. | 595    | 110    | 110    |
| Balance                   |        | \$ 403 | \$ 403 |

**6. DEFERRED ENERGY CREDIT**

The Connecticut Clean Energy Fund, ("CCEF") provided \$526,518 in funding cash credits to the Company for its solar energy installation on Linden School, in Plainville, CT. This funding credit was based on the size and performance of the system after it was installed and operational for a period of six months. In addition, the Company was awarded \$179,070 on the same project as a part of the United States Department of the Treasury's grant of cash in lieu of tax credits, on qualified alternative energy projects. This cash payment was a part of the American Recovery and Reinvestment Act of 2009.

Changes to the deferred energy credit are as follows:

|                  | 2010       |
|------------------|------------|
| Opening balance  | \$ 684,921 |
| Amortization     | (17,640)   |
| Balance, June 30 | \$ 667,281 |

**7. ASSET RETIREMENT OBLIGATION**

The Company has a solar installation currently used in operations. In 2030, the Company is obligated to remove the installation and restore the underlying real estate to its original state. The asset retirement obligation ("ARO") is accreted using the credit-adjusted risk free rate when the liability was initially measured. There are no assets legally restricted for settling the aforementioned asset retirement obligation.

Changes in the asset retirement obligation are as follows:

|                     |            |
|---------------------|------------|
| Initial measurement | \$ 130,979 |
| Accretion           | 3,375      |
| Balance             | \$ 134,354 |

The initial measurement of the ARO has been added to the cost of equipment.



**OPEL INTERNATIONAL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010  
(Unaudited)**

**8. SHARE CAPITAL**

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share, carrying 2,787,513 votes (Notes 9 and 10)

(b) COMMON SHARES ISSUED

|                                                             | Number of<br>Shares | Amount        |
|-------------------------------------------------------------|---------------------|---------------|
| Balance, December 31, 2009                                  | 58,302,862          | \$ 29,939,171 |
| Opel Inc. Exchangeable Shares, exchanged into common shares | 395,474             | 80,619        |
| Balance, June 30, 2010                                      | 58,698,336          | \$ 30,019,790 |

**9. SPECIAL VOTING SHARE**

|                                              | Number of<br>Shares | Amount |
|----------------------------------------------|---------------------|--------|
| Balance, December 31, 2009 and June 30, 2010 | 1                   | \$ 100 |

On June 5, 2007, one (1) special voting share was issued in conjunction with a Support and Trust Agreement entered into amongst Opel International Inc., OPEL Inc. and Equity Transfer & Trust Company. The special voting share carries 2,787,513 votes.

**10. SHARES TO BE ISSUED**

Pursuant to a RTO agreement, the Company was obligated to issue 5,972,000 shares to common shareholders of Opel Inc. in exchange for their 5,972,000 Exchangeable Shares of Opel Inc. The value ascribed to the 5,972,000 shares to be issued was \$1,217,408. During the period, 395,474 Exchangeable Shares of Opel Inc. were exchanged for the same number of common shares of the Company. A value of \$80,619 was attributed to the Exchangeable Shares exchanged.

The following table reflects the continuity of special warrants and shares to be issued:

|                                                  | Number    | Value      |
|--------------------------------------------------|-----------|------------|
| Balance, December 31, 2009                       | 3,182,987 | \$ 648,861 |
| Exchangeable Shares exchanged into common shares | (395,474) | (80,619)   |
| Balance, June 30, 2010                           | 2,787,513 | \$ 568,242 |

**OPEL INTERNATIONAL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010  
(Unaudited)**

**11. WARRANTS**

The following table reflects the continuity of warrants:

|                            | Average Exercise Price | Number of Warrants | Historical Fair value |
|----------------------------|------------------------|--------------------|-----------------------|
| Balance, December 31, 2009 | 1.31                   | 18,022,582         | 6,842,556             |
| Expired                    | 0.90                   | (10,522,582)       | (3,181,971)           |
| Balance, June 30, 2010     | \$ 1.88                | 7,500,000          | \$ 3,660,585          |

As at June 30, 2010 the following warrants were outstanding:

| Number of Warrants | Historical Fair Value (\$) | Exercise Price (\$) | Expiry Date           |
|--------------------|----------------------------|---------------------|-----------------------|
| 7,500,000          | 3,660,585 (1)              | 1.88                | December 13, 2011 (2) |

(1) These warrants were issued in Canadian dollars and are exercisable at \$1.90 CAD.

(2) The expiry of these warrants was extended to December 13, 2011 from December 13, 2009.

**12. STOCK OPTIONS AND CONTRIBUTED SURPLUS**

On June 17, 2009, shareholders of the Company approved a new fixed 20% stock option plan (the "New Plan"). Under the New Plan, the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants. The New Plan provides that the number of common shares issuable pursuant to options granted under the New Plan and pursuant to other previously granted options is limited to 12,115,000 (the "Number Reserved"). Any subsequent increase in the Number Reserved must be approved by shareholders of the Company and cannot exceed 20% of the number of issued and outstanding shares. Options granted under the New Plan generally vest 25% immediately and 25% every six months from the date of issue, however, the directors may, at their discretion, specify a different vesting period.

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

**12. STOCK OPTIONS AND CONTRIBUTED SURPLUS (continued)**

Stock option transactions and the number of stock options outstanding under the plan are as follows:

|                           | Number of<br>stock options |           | Weighted average<br>exercise price |       |
|---------------------------|----------------------------|-----------|------------------------------------|-------|
|                           | 2010                       | 2009      | 2010                               | 2009  |
|                           |                            |           | \$                                 |       |
| Opening Balance           | <b>7,596,000</b>           | 6,524,000 | <b>0.69</b>                        | 0.76  |
| Options expired/cancelled | <b>(65,000)</b>            | (80,000)  | <b>0.35</b>                        | 0.42  |
| Options exercised         | -                          | (400,000) | -                                  | 0.001 |
| Options granted           | <b>1,344,000</b>           | 1,552,000 | <b>0.28</b>                        | 0.20  |
| Closing balance           | <b>8,875,000</b>           | 7,596,000 | <b>0.63</b>                        | 0.69  |

During the period, the Company granted 1,344,000 (2009 - 1,292,000) stock options to officers, employees and consultants of the Company to purchase common shares at a price of \$0.28 (2009 - \$0.18) per share.

Of the 1,344,000 (2009 - 1,292,000) stock options granted during the period, 336,000 (2009 - 353,000) have vested with the remainder vesting at various intervals over 18 months.

The 1,344,000 (2009 - 1,292,000) stock options granted in the period were valued \$351,524 (2009 - \$193,594). During the period, \$180,119 (2009 - \$98,980) relating to vested stock options was charged to stock-based compensation and credited to contributed surplus. The remaining \$171,405 (2009 - \$94,614) will be charged to stock option compensation over the remaining vesting period.

Stock-based compensation expense includes \$34,209 (2009 - \$148,711) relating to vested stock options that were granted in prior years.

The stock options granted during 2010 and 2009 were valued using the Black-Scholes option pricing model using the following assumptions;

|                                          | 2010            | 2009    |
|------------------------------------------|-----------------|---------|
| Weighted average risk-free interest rate | <b>3.45%</b>    | 2.11%   |
| Weighted average dividend yield          | <b>0%</b>       | 0%      |
| Weighted average volatility              | <b>116%</b>     | 127%    |
| Weighted average estimated life          | <b>10 years</b> | 5 years |

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

**12. STOCK OPTIONS AND CONTRIBUTED SURPLUS (continued)**

Details of the stock options outstanding at June 30, 2010 were as follows:

| Historical<br>Fair Value (\$) | Exercisable<br>Options | Number<br>of Options | Exercise<br>Price (\$) | Expiry Date        |
|-------------------------------|------------------------|----------------------|------------------------|--------------------|
| 105,519                       | 310,000                | 310,000              | 0.50                   | March 15, 2011     |
| 6,674                         | 20,000                 | 20,000               | 0.50                   | June 26, 2011      |
| 111,907                       | 300,000                | 300,000              | 0.50                   | September 30, 2011 |
| 122,942                       | 305,000                | 305,000              | 0.60                   | April 26, 2012     |
| 32,824                        | 200,000                | 200,000              | 0.25                   | May 15, 2012       |
| 45,133                        | 275,000                | 275,000              | 0.25                   | May 18, 2012       |
| 120,920                       | 300,000                | 300,000              | 0.60                   | May 24, 2012       |
| 20,154                        | 50,000                 | 50,000               | 0.60                   | May 31, 2012       |
| 20,154                        | 50,000                 | 50,000               | 0.60                   | June 22, 2012      |
| 1,472,016                     | 3,119,000              | 3,119,000            | 0.94 (1)               | September 21, 2012 |
| 239,423                       | 390,000                | 390,000              | 1.48 (1)               | December 14, 2012  |
| 55,819                        | 165,000                | 165,000              | 1.18 (1)               | February 12, 2013  |
| 71,220                        | 142,500                | 190,000              | 1.46 (1)               | April 29, 2013     |
| 6,154                         | 25,000                 | 25,000               | 1.03 (1)               | June 19, 2013      |
| 65,080                        | 225,000                | 225,000              | 0.44 (1)               | July 29, 2013      |
| 9,299                         | 110,000                | 110,000              | 0.11 (1)               | November 6, 2013   |
| 9,900                         | 90,000                 | 90,000               | 0.15 (1)               | December 5, 2013   |
| 97,812                        | 648,750                | 865,000              | 0.13 (1)               | February 13, 2014  |
| 46,017                        | 196,500                | 262,000              | 0.21 (1)               | April 16, 2014     |
| 28,335                        | 56,250                 | 75,000               | 0.36 (1)               | May 21, 2014       |
| 3,534                         | 7,500                  | 10,000               | 0.45 (1)               | June 17, 2014      |
| 9,233                         | 23,750                 | 15,000               | 0.35 (1)               | August 20, 2014    |
| 16,901                        | 27,500                 | 55,000               | 0.37 (1)               | September 29, 2014 |
| 15,275                        | 37,500                 | 75,000               | 0.31 (1)               | November 19, 2014  |
| 9,586                         | 25,000                 | 50,000               | 0.29 (1)               | December 19, 2014  |
| 351,524                       | 336,000                | 1,344,000            | 0.28 (1)               | March 17, 2020     |
| 3,093,355                     | 7,435,250              | 8,875,000            |                        |                    |

(1) These stock options were issued in Canadian dollars and are exercisable at prices ranging from CDN \$ 0.11 - \$1.48.

The following table reflects the continuity of contributed surplus:

|                            | Amount       |
|----------------------------|--------------|
| Balance, December 31, 2009 | \$ 4,727,888 |
| Stock-based compensation   | 214,328      |
| Warrants expired           | 3,181,971    |
| Balance, June 30, 2010     | \$ 8,124,187 |

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

**13. PER SHARE AMOUNTS**

|                                                                   | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|-------------------------------------------------------------------|--------------------------------|----------------|------------------------------|----------------|
|                                                                   | 2010                           | 2009           | 2010                         | 2009           |
| Numerator                                                         |                                |                |                              |                |
| Net loss                                                          | \$ (1,948,437)                 | \$ (2,551,741) | \$ (3,937,166)               | \$ (4,855,482) |
| Denominator                                                       |                                |                |                              |                |
| Weighted average number of<br>common shares outstanding           | 58,696,610                     | 56,066,273     | 58,617,263                   | 55,833,067     |
| Weighted average number of common<br>shares outstanding - diluted | 58,696,610                     | 56,066,273     | 58,617,263                   | 55,833,067     |
| Basic and diluted loss per share                                  | \$ (0.03)                      | \$ (0.05)      | \$ (0.07)                    | \$ (0.09)      |

The effect of common share purchase options, warrants, broker warrants and shares to be issued on the net loss in 2009 and 2008 is not reflected as it is anti-dilutive.

**14. LEASES**

To cover its initial production requirements, the Company placed an initial firm purchase order in the amount of \$6,700,000 for 10 MW of high efficiency triple junction solar cells for delivery starting 2008. As of June 30, 2010 the remaining commitment approximates \$1,700,000.

The Company has operating leases for office and research facilities expiring in 2014 and 2013 respectively.

Rent expense under these leases was \$125,821 (2009 - \$103,847). Remaining minimum annual rental payments to the lease expiration dates are as follows:

|      |            |
|------|------------|
| 2011 | \$ 183,317 |
| 2012 | 186,995    |
| 2013 | 160,858    |
| 2014 | 82,450     |
|      | <hr/>      |
|      | \$ 613,620 |

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

**15. SEGMENT DISCLOSURE**

The Company operates in the industrial products and hardware sector and has its operations in the United States of America and Canada.

The Company operates in the industrial products and hardware sector and has its operations in the United States of America and Canada.

**2010**

| As of June 30,         | USA           | Canada       | Europe     | Consolidated  |
|------------------------|---------------|--------------|------------|---------------|
| Current assets         | \$ 8,562,029  | \$ 1,942,029 | \$ 824,463 | \$ 11,328,521 |
| Property and equipment | 1,999,026     | -            | -          | 1,999,026     |
| Patents and licenses   | 202,290       | -            | -          | 202,290       |
|                        | \$ 10,763,345 | \$ 1,942,029 | \$ 824,463 | \$ 13,529,837 |

**Six Months Ended June 30,**

|                            |            |          |          |            |
|----------------------------|------------|----------|----------|------------|
| Revenue                    | \$ 791,418 | \$ -     | \$ 1,332 | \$ 792,750 |
| Cost of goods sold         | 130,766    | -        | 329      | 131,095    |
| Research and development   | 1,459,869  | -        | -        | 1,459,869  |
| General and administration | 2,567,498  | 360,191  | 28,784   | 2,956,473  |
| Investment income          | (2,934)    | (18,559) | (206)    | (21,699)   |

**2009**

| As of June 30,         | USA          | Canada       | Europe       | Consolidated  |
|------------------------|--------------|--------------|--------------|---------------|
| Current assets         | \$ 2,825,711 | \$ 6,861,260 | \$ 1,641,550 | \$ 11,328,521 |
| Property and equipment | 1,999,026    | -            | -            | 1,999,026     |
| Patents and licenses   | 202,290      | -            | -            | 202,290       |
|                        | \$ 5,027,027 | \$ 6,861,260 | \$ 1,641,550 | \$ 13,529,837 |

**Six Months Ended June 30,**

|                            |            |         |         |            |
|----------------------------|------------|---------|---------|------------|
| Revenue                    | \$ 792,750 | \$ -    | \$ -    | \$ 792,750 |
| Cost of goods sold         | 131,095    | -       | -       | 131,095    |
| Research and development   | 1,459,869  | -       | -       | 1,459,869  |
| General and administration | 2,481,905  | 412,926 | 61,642  | 2,956,473  |
| Interest income            | (16,509)   | 3,782   | (8,972) | (21,699)   |

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, short-term investments, accounts receivable, marketable securities, loan receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates that the fair value of these instruments approximate the carrying values due to their short term nature.

The Company has classified financial instruments as follows:

|                                                   | 2010                | 2009                |
|---------------------------------------------------|---------------------|---------------------|
| Financial assets:                                 |                     |                     |
| Held-for-trading, measured at fair value:         |                     |                     |
| Cash and cash equivalents                         | \$ 1,660,911        | \$ 5,027,892        |
| Short-term investments                            | 1,112,055           | 1,971,422           |
| Loans and receivable, measured at amortized cost: |                     |                     |
| Accounts receivable                               | 213,063             | 332,985             |
| Loan receivable                                   | 435,093             | -                   |
| Available-for-sale, measured at fair value:       |                     |                     |
| Marketable securities                             | 403                 | 403                 |
|                                                   | <b>\$ 3,421,525</b> | <b>\$ 7,332,702</b> |

**Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of short-term investments and accounts receivable. Short-term investments consist of US Treasury notes, held with reputable financial institutions from which management believes the risk of loss is remote. The Company has accounts receivable from parties in various industries and governmental agencies that are currently concentrated in the United States of America. While economic factors can affect credit risk, the Company manages risk by providing credit terms on a case by case basis. The Company has not experienced any significant instances of non-payment from its customers. At year end, accounts receivable balances were concentrated among two customers.

**Exchange Rate Risk**

The functional currency of each of the entities included in the accompanying consolidated financial statements is the local currency where the entity is domiciled. Functional currencies include the US and Canadian dollar and the Euro. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. Currencies in which the Company's exposure to foreign currencies mainly include the Canadian dollar and the Euro. A 1% change in the Canadian dollar and the Euro would increase or decrease other comprehensive loss and net loss by \$20,690 and \$1,517 respectively.

**Interest Rate Risk**

Short-term investments held for trading bear interest at fixed rates, and as such, are subject to risk resulting from fluctuations in interest rates.

**Liquidity Risk**

The Company currently does not maintain credit facilities. The Company's existing cash and cash resources are consider sufficient to fund operating and investing activities over the next twelve months.

**OPEL INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDING JUNE 30, 2010**  
**(Unaudited)**

---

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Market Risk**

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, cash equivalents, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments. A 5% change in fair values of short-term investments and marketable securities would decrease or increase net loss by \$55,006 and other comprehensive loss by \$160 respectively.

**17. CAPITAL MANAGEMENT**

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income (loss) and deficit), cash and short-term investments. The capital of the Company was \$45,145,870 at June 30, 2010. The Company's objective in managing capital is to ensure that financial flexibility is present to increase shareholder value through organic growth and responding to changes in economic and/or market conditions; to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and to safeguard the Company's ability to obtain financing should the need arise.

Currently, the Company has no outstanding debt or covenants, and therefore has no externally or internally imposed capital requirements. As soon as the Company is able to raise debt financing on favourable terms, it may consider this form of capital compared to equity financing, allowing for minimum dilution and maximum shareholder value.

In maintaining its capital, the Company has a strict investment policy which includes investing its surplus capital only in highly liquid, highly rated financial instruments.

The Company reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year.

**18. VARIABLE INTEREST ENTITY**

In 2008, the Company's wholly owned subsidiary, OPL Solar Europe SPRL ("OSE"), acquired a 50% interest in the issued and outstanding shares of Alcapri Solartwent Management GmbH ("ASM"), a German LLC. for \$19,500 (Euros 12,500). ASM was created for the purpose of developing a grid field project in Spain. OSE analysed its relationship with ASM, and determined that OSE was the primary beneficiary and as such ASM was a VIE. Accordingly, the Company consolidated the results of ASM.

During the period, the Company divested itself of its interest in ASM and recorded a \$40,572 loss on divestiture. The Company has a loan receivable of \$435,093 due from ASM. The loan will be repaid prior to December 31, 2010.

**19. SUBSEQUENT EVENT**

On July 22, 2010, the Company closed a brokered private placement in the amount of \$7,549,400. IBK Capital Corp. acted as the lead agent in respect of the issuance and sale of 25,164,665 units at a price of \$0.30 per unit for gross proceeds of \$7,549,400 (the "Offering"). Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.50 per share until July 21, 2012. The agents received commissions in the aggregate of \$668,556 and 2,476,134 compensation warrants in connection with this Offering. Each compensation warrant entitles the holder to purchase one common share of the Company at \$0.30 per share until July 21, 2014.